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AUTHOR Rassen, Rachel L.
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ABSTRACT

This is the eighth in a set of 36 teacher guides to the Entrepreneurship Training modules and accompanies CE 031 045. Its purpose is to give students some idea of what it is like to own and operate a specialty food store. Following an overview are general notes on use of the module. Suggested steps for module use contain suggestions on introducing the module, a brief discussion of the nine units, responses to learning activities, suggestions for summarizing the module, and responses to the quiz. The units are Planning a Specialty Food Store; Choosing a Location; Getting Money to Start; Being in Charge; Buying and Keeping Track of Supplies; Setting Prices; Advertising and Selling; Keeping Financial Records; and Keeping Your Specialty Food Store Successful. Each unit contains a case study; responses to individual activities; responses to discussion questions; and a group activity. Suggested readings for the teacher and a list of goals and objectives complete the module. (CT)

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Entrepreneurship Training Components

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GETTING DOWN TO BUSINESS:

Specialty Food Store

Module 8

Teacher Guide

CG 310 451

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GETTING DOWN TO BUSINESS:

Specialty Food Store

Rachel L. Rassen

April 1981

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OVERVIEW

The purpose of these Getting Down to Business modules is to provide high school students in vocational classes with an introduction to the career option of small business ownership and to the management skills necessary for successful operation of a small business. Developed under contract to the Office of Vocational and Adult Education, U.S. Department of Education, the materials are designed to acquaint a variety of vocational students with entrepreneurship opportunities and to help reduce the high failure rate of small businesses.

As the students become familiar with the rewards and demands of small business ownership, they will be able to make more informed decisions regarding their own interest in this career possibility. It is hoped that, as a result of using these materials, some students will enter small business ownership more prepared for its challenges. Others will decide that entrepreneurship is not well suited to their abilities and interests, and they will pursue other career paths. Both decisions are valid. The materials will encourage students to choose what is best for them.

These Getting Down to Business modules are designed to be inserted into ongoing high school vocational programs in the seven vocational disciplines--Agriculture, Distributive Education, Occupational Home Economics, Business and Office, Trades and Industry, Technical, and Health. They will serve as a brief supplement to the technical instruction of vocational courses, which prepare students well for being competent employees but which generally do not equip them with skills related to small business ownership. The modules are self-contained and require a minimum of outside training and preparation on the part of instructors. Needed outside resources include only those types of materials available to all students, such as telephone directories, newspapers, and city maps. No special texts or reference materials are required. For further optional reading by instructors, additional references are listed at the end of the Teacher Guide. An annotated Resource Guide describing especially valuable entrepreneurship-related materials is also available.

The purpose of this module is to give students some idea of what it is like to own and operate a specialty food store. Students will have an opportunity to learn about the kinds of activities and decisions a specialty food store owner is involved in every day. While the module is not a complete "how-to" manual, the individual lessons provide your class with the chance to practice many of these activities and decisions.

Today, owners of small businesses face many problems--some minor, some not so easily taken care of. These problems are reflections of the changes our society is going through. While this module cannot address itself to all of them, the discussion questions at the end of each unit are designed to give students an opportunity to explore possible solutions.

Before using this module, you might want to present Module 1, Getting Down to Business: What's It All About? Module 1 is a 16-hour program

covering a more in-depth approach to owning any small business. The terms that are introduced in Module 1 are used in this module with just a restatement of the definitions. Also, the forms used will be the same, with some minor changes to fit the specialty food store business specifically. Module 1 provides a firm base of business skills (in addition to some activities that, because of their general nature and space priorities, are not covered in this module).

Content Organization

Each unit of the module contains the following:

1. Divider Page--a list of what the student should be able to do at the end of that unit.

2. Case Study--an account of a business owner in the field.

3. Text--three to four pages outlining business management principles introduced in the case study but focused more on the student.

4. Learning Activities--three separate sections, including:

   a. Individual Activities--finding information given in the text or applying information in the text to new situations.

   b. Discussion Questions--considering broad issues introduced in the text; several different points of view may be justifiable.

   c. Group Activity--taking part in a more creative and action-oriented activity; some activities may focus on values clarification.

General Notes on Use of the Module

Instructional Time:	Each unit = 1 class period; total class periods	= 9
	Introduction, quiz, summary	= 1
	Total instructional time	= 10 class periods

The case study and text are central to the program's content and are based on the instructional objectives appearing in the last section of this Guide. Learning activities are also linked to these objectives. You will probably not have time, however, to introduce all the learning activities in each unit. Instead, you will want to select those that appear most related to course objectives, are most interesting to and appropriate for your students, and are best suited to your particular classroom setting. Certain learning activities may require extra classroom time and may be used as supplementary activities if desired.

Before presenting the module to the class, you should review both the Student and Teacher Guides and formulate your own personal instructional approach. Depending on the nature of your classroom setting and the

students' abilities, you may want to present the case study and text by instructional means that do not rely on students' reading--for example, through a lecture/question-answer format. Case studies and certain learning activities may be presented as skits or role-playing situations.

No particular section of the module is designated as homework, but you may wish to assign certain portions of the module to be completed out of class. You may want students to read the case study and text in preparation for discussion in the next class period, or you may want them to review the material at home after the class discussion. You may also prefer that students read the material in class. Similarly, individual activities may be completed in class or for homework. Discussion questions and group activities are specially intended for classroom use, although some outside preparation by students may also be needed (for example, in the case of visiting a small business and interviewing the owner).

Methods that enhance student interest in the material and that emphasize student participation should be used as much as possible. Do not seek to cover material exhaustively, but view the course as a brief introduction to entrepreneurship skills. Assume that students will obtain more job training and business experience before launching an entrepreneurial career.

The quiz may be used as a formal evaluation of student learning or as a self-assessment tool for students. Answers to learning activities and the quiz are provided in a later section of this guide.

SUGGESTED STEPS FOR MODULE USE

Introduction (10-15 minutes)

I. In introducing this module you will probably want to find out what students already know about the specialty food store business.

- Ask about the different types of food stores they know about. Some students will probably identify various chain stores and supermarkets; bakeries and gourmet shops are also included in this category.
- Ask if they know about any small independent specialty food stores.
- Ask them what they think the advantages of owning their own specialty food store might be.
- Ask them about the disadvantages they see.

II. Discuss small businesses briefly. Over 90% of all businesses in the United States are small businesses. In this module we will be dealing with very small businesses, meaning a self-employed owner working alone or with one to four employees. Often small businesses are owned and run by members of a family.

III. Discuss the purposes of the module:

- To increase students' awareness of small business ownership as a career option.
- To acquaint students with the skills and personal qualities specialty food store business owners need to succeed.
- To acquaint students with the kind of work small business owners do in addition to using their vocational skills.
- To expose students to the advantages and disadvantages of small business ownership.

IV. Emphasize that even if students think they lack management aptitudes, some abilities can be developed. If students "turn on" to the idea of small business ownership, they can work at acquiring abilities they don't have.

Also, students who work through this module will have gained valuable insights into how and why business decisions are made. Even if they later choose careers as employees, they will be better equipped to help the business succeed.

Unit 1 - Planning a Specialty Food Store (1 class period)

I. Case Study: Stanley Price is thinking of opening his own bagel bakery in California. He comes from a family of bagel bakers; he knows all the business basics and the necessary ingredients and techniques that go into producing good bagels.

Vocabulary: gourmet
unique
nonjudgmental
fictitious

Text: Products, Customers, and Competition
Personal Qualities and Skills
How to Compete Well
Legal Requirements

Points to Present:

- A bakery is primarily a production business--bakeries produce on-site what they then sell. However, a specialty food store may also operate on a retail basis; products are bought from other sources (the producers) and sold at retail prices to the public (e.g., a cheese store).

- Operating a specialty food store involves both vocational skills and business skills. In addition, a knowledge of food production and storage is helpful.

- Small business owners work very hard because the responsibility for the success or failure of the business is all theirs. Although there is an element of "luck" in successful business ownership (being in the right place at the right time), the success of the business depends primarily on careful planning, long hours, and hard work.

- You may want to discuss here that more than 50% of all small businesses go out of business during their first two years. The two main reasons for business failure are (1) opening the business with insufficient funds (undercapitalization) and (2) poor business management.

II. Responses to Individual Activities

1. Student responses to this question will vary depending on the school's location and their own personal interests. Any reasonable response is acceptable. The purpose of this activity is to orient students to the type of advanced homework and analysis that is necessary prior to opening an independent business, and to create an awareness of their own interests in the specialty food store business.

2. Any reasonable response is acceptable. A store name "tells and sells." A name should advertise the service and products of the store, and be easy for the customers to remember.

3. No matter how good a business idea is, you still must have a market--people who will be willing to buy your products or pay for your services. The market will influence a variety of business decisions--location, inventory selection, services offered, advertising, etc.

4. Business and math courses and vocational experience are very important. In addition, a course in nutrition, food preparation and storage is helpful. However, the personal qualities of the store owner and a willingness to work are the most important elements in starting and running a business.

III. Responses to Discussion Questions

1. There are no correct answers; any reasonable response is acceptable. Special services, like wrapping and delivery services, may add to a store's success; specializing in certain foods or products and creating a distinctive image would also help to make the store unique. Other ideas may include offering special cooking classes, a knife-sharpening service, complimentary crackers with a purchase of cheese, etc.

2. Yes. Stanley Price has the knowledge, experience, and background that will help him establish his own bagel bakery. In addition, he is adventurous, ambitious, and has the support of his family in case he needs help.

3. Responses will vary. Any reasonable response is acceptable. Supermarket chains can afford to carry a wide variety of goods that may be similar to the products and merchandise of the specialty food store. In addition, many supermarkets are now adding "gourmet food sections" to attract customers. Supermarkets can offer a lot of competition for the small specialty food store owner.

IV. Group Activity

The purpose of this activity is to introduce students to the concerns, experiences, and types of planning strategies that go into setting up a small, independently owned business.

Students should prepare their questions during a class before the guest speaker arrives. Have students form small groups and generate lists of questions based on what they want to know about how to set up a specialty food store. Then, as a class activity, compile one list of questions. Present these questions to the speaker before the class meeting so that he or she can prepare responses. A list of sample questions is included in the student guide.

Unit 2 - Choosing a Location (1 class period)

I. Case Study: Stanley's considerations in choosing the right location for his bagel bakery are described. He takes into consideration the market, his customers, the store site, and the traffic patterns.

Vocabulary: potential
characteristics
escalator clause

Text: Things to Think About in Deciding Where to Locate Business Location
Where Can You Get the Facts?
Renting and Leasing a Store Site

Optional Points to Present:

- You may want to discuss other general factors in selecting a community, such as: makeup of the population by age groups; growth rate of the town and area; labor conditions; nature and prosperity of the industries.

- Other factors to emphasize when selecting a location for a store are rent and insurance rates (how much you can afford), condition of the street and surrounding buildings, zoning restrictions, and position of the location within the block.

- Locating near busy stores and restaurants may be a disadvantage but can also be an advantage to the specialty store owner, who may benefit from all the "spill-over" traffic.

II. Responses to Individual Activities

1. Sources of information include:

   a. Chamber of Commerce
   b. information provided by other business owners in the area
   c. community banks
   d. newspapers
   e. utility company reports
   f. real estate agents

2. e

3. a. True; Jim Warren has chosen a highly visible location where the walking traffic is heavy. He should not have to invest in as much advertising in order to attract customers.

   b. False; if the location is inconvenient for shoppers, the customers will not come in despite any other attractions the location may have.

4. Other desirable information may include:

   zoning regulations
   condition of the building and surrounding buildings
   past history of the site
   competition in the area
   neighborhood's growth potential
   characteristics of the residents
   size of the store
   rental agreement
   parking and public transportation

5. Site 1 would probably be the best location for the store, even though there will be competition from the other cheese store. However, the "gourmet accessories" aspect of the store may give you a competitive advantage. The high rent will likely be offset by the foot traffic and a high volume of sales. The low rent at site 2 makes this location attractive; however, an effective (and perhaps expensive) advertising campaign would be necessary to inform and attract customers away from the central business district. The fact that some of the original businesses at site 3 are moving into a newly developed shopping center is a sign that this area is undergoing economic change. The changes at site 3 would have to be analyzed carefully before any decision is reached.

III. Responses to Discussion Questions

1. Studying the area gives you an idea of the general characteristics and growth potential of the neighborhood. Studying the specific site gives you information about direct competition and the number of customers to expect.

2. A traffic count will give you an idea of the volume of foot and automobile traffic and your potential walk-in customers. It will tell you about people's walking patterns, where they shop, and how many people come in and out of the different stores. You can use this information in order to assess the desirability of that location.

3. Responses to this question will vary depending on the school's location and the characteristics of the community. Any reasonable response is acceptable if the students can justify their choices.

IV. Group Activity

The class may break into small groups, with each group developing its own evaluation checklist and then prioritizing the lists.

The purpose of this activity is to sensitize students to the basic research and analysis homework that should go into a decision to locate a store. Location is one of the most important

decisions in opening a business--it must be made carefully, based on factual information.

Unit 3 - Getting Money to Start (1 class period)

I. Case Study: Stanley analyzes his financial standing and his financial needs. He estimates and lists how much it will cost to open a bagel bakery, and prepares to apply to a bank for a loan. His first step is to write a business plan.

Vocabulary:

starting capital	competent
resume	reliable
sacrifice	inventory

Text: Preparing a Business Plan
Financing: How Much Do You Need?
Stalking the Elusive Business Loan
Statement of Financial Need

Optional Point to Present:

A personal résumé will have to accompany the business plan and the statement of financial need. You may want to bring in examples of résumés and discuss the basics of good résumé writing.

II. Responses to Individual Activities

1. Responses may vary. In general, this is a very sketchy business plan, and Stanley would be advised to include more detailed information before he submits it to a bank. Students may indicate that Stanley could have added more about his target customers, his management plan, the number of employees he will hire, his advertising plans, and the reasons why he chose that particular site.

2. A variety of responses would be acceptable. On the next page is a sample of a completed statement of financial need.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$ 7,200		
Building and Property	5,000*		
Repairs and Renovations		Cash on Hand	$ 20,000
Equipment and Furniture	43,700**	Gifts or Personal Loans	20,000
Inventory or Supplies	10,000	Investment by Others	
Advertising	1,500	TOTAL	$ 40,000
Other (license, tax, insurance)	1,200		
		TOTAL STARTING EXPENSES	$68,600
		TOTAL MONEY ON HAND	40,000
		TOTAL LOAN MONEY NEEDED	$28,600

* Rent ($3,000) & utilities/phone ($2,000)
** Counters & display units ($400), cash register ($300), and machinery ($43,000)

Students may notice that certain costs have not been included, such as inventory costs to buy the ingredients to make the bagels, cost of company-owned trucks, repair and renovation costs, office supplies, and so on.

3. A loan application should include: (a) a resume, (b) a statement of financial need, and (c) a detailed business plan.

4. All aspects of the business description are important and will be studied carefully by the bank. However, the most important part is probably the ways the author/owner plans to meet the competition. The business owner should carefully describe the strengths of the business--i.e., specialized products sold, location, or prior experiences of the owner, or others. (Any reasonable response by students is acceptable.)

III. Responses to Discussion Questions

1. A lender would probably request more detailed information, not only about Stanley's management plan, but also about his location decisions, his target market, his advertising campaign, etc.

2. The lender would probably want to know more about Stanley--is he a good business risk? Will he be able to manage the bakery and supervise all aspects of production and sales? In addition to his family associations, what are his past experiences in business management and supervision? Is he reliable?

3. Responses to this question will vary. If the store is primarily retail-oriented, inventory, rent and employee salaries

will be the most important considerations. If the specialty food store produces its own products, then raw materials and machinery and equipment costs (plus associated repair and maintenance costs) become important. Electricity and utilities will also be higher. If the store builds its reputation and image on specialized services, the upkeep of these services is important. For example, if the store provides free delivery of goods, the costs of the car/truck, gas, and a driver will add to the owner's expenses. All of these elements affect the store's image and its quality of service and products, and hence its success.

IV. Group Activity

This activity is designed to give students practice in writing a business description based on information provided in the case study. Give students feedback on the completeness of the business description with respect to the coverage of:

1. Business type and name
2. Products or services to be offered
3. Business location and reason for choice
4. Potential customers
5. Competition
6. Plan for competing
7. Plan for running the business and keeping it successful.

Also plan to give students an overall opinion about how persuasive the business description is--that is, how likely you think it is to get them a loan and why.

Unit 4 - Being in Charge (1 class period)

I. Case Study: Stanley talks about his employees at the Bagel Brokers. He describes how he manages and supervises their work, how new employees are trained, and how work responsibilities are decided.

Vocabulary:

recruiting	classified ads
management	sympathetic
instructions	enthusiastic

Text:
Building an Effective Staff
Screening Job Applicants
Keeping Customers and Staff Happy
Employee Benefits
Store Policies

Optional Points to Present:

- You may want to talk with your students about want ads, public and private employment agencies, and bulletin boards--the variety of ways a store owner can find employees.

- There are many other aspects of the employee-employer relationship that you may want to address--people asking for raises or for time off, firing procedures, concern for morale and employee satisfaction, etc. You may want to describe and role-play some of these situations. In addition, you may want to talk about different management styles, such as "participatory management," in which employees have a say in the way they do their jobs.

- Good communication is essential in the employer-employee relationship. You may wish to conduct a class discussion on effective communication techniques.

- Being an employer means taking on both financial and personal responsibility for an employee. The text does not cover such things as employee benefits, payroll taxes, and W-4 or W-2 forms. You may wish to mention these.

II. Responses to Individual Activities

1. a. False; the store owner should take an active role in all the operations of the store; owners may delegate responsibility, but they are still responsible for managing and supervising the employee's performance.

   b. False; unless the candidate is well known to the employer, job candidates should always fill out applications and their references should be checked.

   c. True; employee discounts can help contribute to the morale of workers and their feelings of responsibility and loyalty to the store.

2. The personal appearance and the manner in which the applicant interacts with people (for example, making eye contact) are important qualities in the retail business. This information can not be obtained from a written application.

3. b; by hiring part-time employees, store owners can be more responsive to the flow of traffic in and out of their store. Part-time employees should not be hired to do only small jobs, as there will be very little incentive to continue working and turnover will be high.

4. An effective staff can contribute to the success of a specialty food store by providing personalized service to customers, by helping to establish a store's reputation for quality service, by maximizing sales through the use of effective selling techniques, and by helping you meet your schedules and responsibilities.

III. Responses to Discussion Questions

1. The disadvantage of assigning specialized job responsibilities is that if one employee gets sick, someone else cannot take over for him or her. This can affect employee morale and enthusiasm. However, the advantage to this system is that the specialized employee will become very skilled and efficient in that one type of work, and the responsibilities for completing tasks are clear.

2. Answers may differ. However, it is important that students recognize the need to verify this type of information with the job applicant, and get his version of the story. It may be appropriate to recommend a trial period of employment.

3. Good job descriptions help prevent mixups in future misunderstandings. Writing a job description helps ensure that all job tasks of the business are divided, and that responsibility does not land on the owners by default. This can prevent hard feelings later. Students may also have other ideas.

IV. Group Activity

Good employer-employee relationships are essential to the effective and efficient management of a store. These relationships do not "just happen." Establishing good relationships and communication starts with wise hiring and clear statements of job responsibilities. This takes a lot of effort, criticism, and sensitivity to workers.

The purpose of this activity is to improve students' interpersonal and analytical skills. The guidelines that students generate from the critique of this role-playing exercise should provide them with a "self-check" list that they can follow when interviewing job applicants.

Unit 5 - Buying and Keeping Track of Supplies (1 class period)

I. Case Study: Stanley talks about buying inventory supplies, keeping track of supplies, and the importance of finding good and reliable suppliers.

Vocabulary: merchandise
economical
perishable
essential
perpetual inventory

Text: Inventory Selection
Supplier Terms
Store-Supplier Relations
Inventory Control

Optional Points to Present:

- Good organization comes from experience. You may want to discuss with your students how it is possible to take on too much work and overextend yourself in terms of your responsibilities to others and your available cash assets.

- Employee theft is a major source of inventory and income loss in small store operations. You may wish to discuss this problem with your students and generate guidelines on how to discourage employee theft.

II. Responses to Individual Activities

1. Student responses will vary depending on the type of specialty food store under consideration.

2. The characteristics of the community will influence the responses of students. Students should be encouraged to identify as many appropriate suppliers as possible.

3. The advantages of buying from only a few suppliers are in the personal relationships that can be developed, including personalized service, information, and perhaps special purchase terms. The disadvantages in buying from only a few suppliers are that they may not necessarily carry wide selections of merchandise you desire, may not be familiar with the newest additions to the market, and may not be able to give you the best prices.

4. Student responses will differ depending on the agency called and local delivery rates and schedules.

5. Three types of inventory stock control are:

   a. physical inventory counts
   b. personal observation
   c. perpetual inventory

III. Responses to Discussion Questions

1. Stanley talks about using stock and inventory control to monitor the problem of employee theft.

2. In choosing suppliers, you should consider their reliability, the quality of their products, the terms they offer you, their location, and the personal relationships you establish with them. You are responsible for the quality of your products and service to your customers. It is essential that you can depend on your suppliers so that you can meet your responsibilities.

3. If your supplies are perishable, then the location of your suppliers and the methods and costs of delivery are important considerations. If your supplies are nonperishable, then these concerns are not so important and you can look for suppliers who will deliver the best quality products at the best terms for you.

IV. Group Activity

The purpose is for students to learn how specialty food store owners in your area choose suppliers and manage inventory. Discuss similarities and differences among owners' choices and methods.

Unit 6 - Setting Prices (1 class period)

I. Case Study: Stanley talks about how prices are determined at the Bagel Brokers. The costs of ingredients are relatively stable, but operating costs tend to fluctuate and may affect the prices of bagels. Increases in costs are passed along to the customers.

Vocabulary: wholesale
profit
catering

Text: Turnover
Pricing
Things That Make Prices Go Down
Things That Make Prices Go Up

Optional Points to Present:

- You may want to discuss other factors in pricing that are not easily controlled--such as general economic conditions, interest rates, increased wholesale costs, inflation, and recession.
- Many small stores take at least two years before they show a profit. You may want to discuss ways in which owners of small businesses cope until they begin to show a profit.

II. Responses to Individual Activities

1. Operating expenses that may lower your profit include transportation costs, rent, salaries, utility bills, maintenance and repair, etc. The costs of running your store are your operating expenses, and any expense paid out will lower your profits in the short run.

2. Capitalize on the personalized service offered by your store; lower your prices to compete with the other store; develop a new inventory and merchandise line; provide extra services.

3. You may consider reducing the selling price of your merchandise:

   a. if your merchandise is not selling (it may be priced too high);

   b. if customers' tastes and/or buying habits have changed;

   c. to attract more customers to your store; or

   d. to make room for new merchandise.

   The basic purpose of reducing prices is to increase the volume of sales in order to increase profits.

4. The most common type of sales are grand opening sales, holiday sales, and seasonal sales. Student responses may be varied; any reasonable response with justification should be considered acceptable.

III. Responses to Discussion Questions

1. If a store that sells large quantities of perishable items has a low turnover rate, this problem could be very serious. Money will be lost. Most stores try to sell their merchandise as fast as possible to avoid spoilage problems, and to maintain a healthy cash flow which can be invested in an improved inventory.

2. Unsold merchandise may only sit around collecting dirt and mold. Money will be tied up in this merchandise, which in turn will affect your cash flow and profits. Having unsold and old merchandise will also make your customers think your store is out of touch with the newest shopping trends. Stanley's method of handling unsold bagels is both efficient and effective; there is no wastage, and a steady cash flow is maintained.

3. Profits may be reduced as a result of theft, fire, bad checks, increases in gas prices, inflation, emergency repairs, etc. Profits may also be reduced if a store owner has invested unwisely in his or her inventory and the items are not selling. A sale may move these items out, but the profits may be significantly reduced.

4. Setting low prices on goods can help attract customers. A higher volume of customers may raise the volume of sales on the particular sale item as well as provide the opportunity to sell other higher-priced items. Low prices can help clean out unsold items and provide the necessary cash flow and space for a newer inventory.

IV. Group Activity

There is no magic formula to setting prices. Store owners must be flexible in the prices they set; they must consider the volume of sales, operating expenses and costs, the target customers, inventory, and their own financial needs.

The purpose of this activity is to introduce the various techniques and gimmicks store owners use to sell their inventory and attract customers. There is a psychology to pricing and selling that store owners use to sell their products. These methods will also be addressed in Unit 7. You may consider conducting this activity after students have completed the next unit.

Unit 7 - Advertising and Selling (1 class period)

I. Case Study: Stanley talks about the various ways the Bagel Brokers is advertised. He also talks about the benefits of public relations in advertising his store.

Vocabulary: campaign
distinctive
discount
consistent

Text: Why Advertise?
Ways to Advertise
Qualities of a Good Ad

Optional Points to Present:

- Remind students that word-of-mouth advertising from satisfied customers is the best form of advertising.
- You may want to role play the new owner going out to introduce her- or himself to potential clients. Students should be allowed to be somewhat negative, as even one of these experiences can be difficult.
- It may be useful to pair this unit with the previous unit and have students bring in advertising from different sources. Listening to ads on the radio or TV can also help.
- The Federal Trade Commission (FTC) establishes standards for advertising. You may want to lead a class discussion on how these standards and federal laws in general affect advertising techniques and the content of ads.

II. Responses to Individual Activities

1. A good ad should be simple, informative, truthful, consistent in style, distinctive, stimulate prompt action, and show the

benefits to the reader. In addition, it should feature the "right" items and include price ranges, store name and address, telephone number, and store hours.

2. a. A
   b. B
   c. D
   d. C
   e. B; this store lists a number of branch stores.

3. a. C
   b. A
   c. B
   d. D

4. There are no "right" answers to this question. Students should be encouraged to use their imagination in choosing the media and text for the ad.

III. Responses to Discussion Questions

1. Susan would want her ads to reach a very select audience. In planning her ad campaign she would be wise to first find out what her audience reads. She can then place her ads in the right sections of the right magazines and newspapers to reach her target audience.

2. Responses will vary, and any reasonable suggestion is acceptable. Students may list free cooking classes, demonstrations, charitable donations, involvement in community affairs, etc. The purpose of public relations is to make your store well known and to create a positive impression in people's minds.

3. Student responses will differ but will most likely echo the suggestions on how to put selling punch into your ads.

IV. Group Activity

Many ads use stereotyped roles and models because the public can easily identify with that particular stereotype performing a certain activity. For example, housewives are usually associated with cleaning and cleaning products. How many times have you seen a male executive in a three-piece suit washing dishes and uttering words of praise for the dishwashing liquid?

Stereotyping is an efficient way of communicating and demonstrating a product. However, people (and children in particular) learn to associate roles with products, which in turn reinforces their expectations of how people should act. A female executive is something out of the ordinary.

The purpose of this exercise is to sensitize students to stereotyping and implicit sexism that is often used by the advertising media, and the messages about the "proper roles" of men and women that are conveyed. You may wish to divide the class into small groups in order to facilitate this discussion. Encourage students to be critical of messages conveyed by the ads, and to analyze their own role models and expectations of "appropriate" male and female behavior.

In addition, you may wish to bring in some examples of your own and lead class and small group discussions on what people learn from this constant exposure to stereotyped roles. How does this affect your students' personal dreams for success? Do the boys and girls in the class tend to differ in their success dreams?

Unit 8 - Keeping Financial Records (1 class period)

Case Study: Stanley describes his bookkeeping system and the need to keep accurate records of sales and expenses.

Vocabulary: financial
expiration

Text: Cash Sales
Keeping Track of Credit Sales
Credit Cards
Easy Come and Easy Go: The Daily Cash Sheet

Optional Points to Present:

- This unit was designed for use by students who have not had any bookkeeping experience. It provides a very brief overview of some of the basic elements of bookkeeping. You may wish to present a more in-depth lesson on some of the topics.

- Many small businesses use an accountant or a bookkeeper to compile records for tax purposes. The financial records that the business keeps are usually basic ones. A small store owner can save a lot of money by doing many of the basic bookkeeping chores him- or herself.

- Some small business owners keep few or no records. Such businesses take a big risk if the Internal Revenue Service ever asks to see their books.

II. Responses to Individual Activities

1. Buying on credit is a convenient way for people to buy. It is a service that is often expected. However, you can tie up a lot of money in debts and unpaid accounts. You will also be responsible for billing customers and keeping all financial records--which may involve a lot of paperwork.

2. The primary advantage of accepting credit cards is that the credit card company assumes responsibility for all the paper work, screening card holders, and billing the customers. In addition, the companies "guarantee" payment, whether or not the customer has paid the bill. The primary disadvantage is that this service will cost--and a small store may not be able to afford these charges.

3.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$337.52	Salaries	$
Credit Sales	234.93	Building Expenses	519.14
		Equipment and Furniture	47.23
		Inventory or Supplies	15.99
		Advertising	80.43
		Other	
TOTAL CASH RECEIPTS	$572.45	TOTAL CASH PAYMENTS	$662.79

4. When you itemize, you keep a record on each sale. You will know exactly what you have sold and the cash amount--information you can use for your inventory and bookkeeping records. The customer will have a "proof of purchase" in case he or she is dissatisfied and wants to return the item(s).

5. You can use sales receipts to form the basis of a detailed bookkeeping and accounting system. They will also help you in dealing with the IRS.

III. Responses to Discussion Questions

1. Student responses to this question may vary. Generally, a store owner should be cautious about accepting new credit accounts; if possible, it would be wise to try to find out how reliable this potential new customer is, and get some information on the store's credit history. If the new customer appears to be reliable and in good credit standing, you have added a new (and perhaps) steady customer, and increased your volume of sales. If the customer is late in payment of bills, you will tie up your money in unpaid bills and bad debts.

2. The two basic things you should look for in a credit customer are (a) reliability and (b) credit history.

3. There is less daily paperwork if you fill out a cash flow sheet only once a week. But, on the other hand, you may have a less-than-accurate picture of your daily income and expenses. Also, every Friday you will be faced with an untidy pile of papers- some of which may have been lost--and you will be likely to make mistakes in your arithmetic.

   Cash flow should be calculated regularly to give you an idea of where you stand financially. You will know the cost of goods, your gross profits, operating expenses, and net profits. If these records are kept up regularly, they are more likely to be complete and accurate.

4. A store owner would also have to keep tax records, medical and health benefit records for employees, insurance records, purchase and work order records, records of all deliveries made and received, and records of all operating expenses. These records provide information on how much money is coming in and going out, taxable income, and the success of the business.

IV. Group Activity

The purpose of this exercise is to make students aware of discriminatory practices (both implicit and explicit) that commonly occur when giving credit. Blatant discrimination is illegal, but subtle discrimination still exists.

You may wish to divide students into small groups to conduct these discussions. You may also talk about the difficulty many wives have in obtaining credit ratings and cards independent of their husbands. Discuss some of the things people can do to establish and maintain good credit ratings.

Unit 9 - Keeping Your Specialty Food Store Successful (1 class period)

I. Case Study: Stanley talks about expanding the business and what he plans to do in order to increase his profits.

Vocabulary:

profit/loss statement	visibility
revenue	cost-effective
profit ratio	formula
expense ratio	

Text: Keeping Track of Profits
How to Calculate a Profit/Loss Statement
Profit and Loss Ratios
Improving Profits
Expanding Your Business

Optional Points to Present:

- This unit, like the last, was designed primarily for use by students who have not had any bookkeeping experience. It may be necessary to review some of the major topics and formulas presented in the previous units.

- Some of the decisions business owners have to make are hard ones, such as laying off employees. But if the survival of the business is at stake, this may be a necessary decision.

- In this unit you may also want to stress that there are many reasons to own a business, and money may not be the most important one.

II. Responses to Individual Activities

1. One way of increasing sales is by finding and hiring more capable salespeople. Changing the merchandise and perhaps changing the store image are other ways to increase sales. It is important to keep up with customer tastes.

2. Gross profit refers to the money left over from revenues after the wholesale costs (costs of goods sold) have been paid. Net profit refers to the money left over from the gross profit after all the store's operating expenses have been paid.

3. If you raise prices, you may lose customers. If your customers know they can find the same items elsewhere at a lower price, they may not return to your store.

4. A store owner may wish to study how cost-effective his or her business and advertising practices are. Can the number of employees be increased or reduced without hurting the store's quality of personalized sales and service? Is the advertising campaign appropriate and timely to attract customers? Can energy-efficient actions be taken to reduce the cost of utility bills? Does the free delivery service add to the success of the store, or is this service too costly to maintain? Students may have more ideas.

III. Responses to Discussion Questions

1. Sales and profit may decline for a variety of reasons--inflation (fewer "leisure dollars" to spend), poor management, an inappropriate pricing policy, increased competition, limited merchandise selection, inadequate service and salespeople, shifting traffic patterns, a declining economic condition in the area, ineffective advertising, etc.

2. The five main parts of a profit/loss statement are: (a) revenues, (b) cost of goods sold, (c) gross profit, (d) expenses, and (e) net profit. By looking at revenues, the owner knows

how much money is coming into the store. Cost of goods sold tells him or her how much wholesale costs are. Gross profit tells how much the owner is making before his or her expenses are deducted. The itemized list of expenses shows where the money is going out and how much it costs to operate the store. Together, these figures provide a net profit figure and can be used in computing expense and profit ratios.

3. Expense and profit ratios give you a way of comparing the amount of money spent on expenses relative to the amount of money made in actual profit. A high expense ratio should tell the store owner that in order to continue in business, expenses have to be reduced and profits increased. A comparison of these figures over a few years will tell the store owner about the growth of the business.

4. The major action steps are described in the text. Students may add creative suggestions of their own.

IV. Group Activity

The purpose of this activity is to summarize the content of the module and to help students think realistically about the specialty food business and whether they would consider investing in this business. Use this exercise as a final wrap-up activity to help students apply what they have learned in the module.

Summary (15-30 minutes)

If desired, the Quiz may be given prior to summarizing the module and doing wrap-up activities.

The Summary section of the Student Guide covers the main points of the module. You may wish to discuss this briefly in class to remind students of major module topics.

Remind students that their study of this module was intended as an awareness activity so they could consider entrepreneurship as a career option. Their introduction to the skills required for successful small business management has been brief. They should not feel that they are now prepared to go out, obtain a loan, and begin their own business. More training and experience are necessary. You can suggest at least these ways of obtaining that experience: one way is to work in the business area in which they would eventually want to have their own venture; another is to go to school (community colleges are starting to offer AA degrees in entrepreneurship).

This is a good time to get feedback from the students as to how they would rate their experience with the module. Could they identify with the characters portrayed in the case studies? How do they feel about the learning activities?

You may want to use a wrap-up activity. If you have already given the quiz, you can go over the correct answers to reinforce learning. Or you could ask class members to discuss what they think about owning a small business and whether they will follow this option any further.

Quiz (30 minutes)

The quiz may be used as an assessment instrument or as an optional study tool for students. If you wish to use the quiz for study purposes, duplicate and distribute the answer key to students. In this case, student achievement may be assessed by evaluating the quality of students' participation in module activities.

Quiz Answer Key

1. b

2. Answers could include: a willingness to learn; a "clear head" or ability to organize your mind and your life; ability to read carefully; arithmetic skills and a lack of fear of numbers; ability to work with people in a friendly and nonjudgmental manner; and a willingness to work hard.

3. It is important to choose a good store location as well as appropriate products and specialty merchandise. Deciding quality products and personalized quality service and developing a unique store image are all important for the success of a new store.

4. Answers could include obtaining a business license, a seller's permit, an Employer's Identification Number from the IRS, and a fictitious trade name as well as following local zoning laws and health and fire regulations.

5. e

6. Responses could include:

   - the area's potential for growth
   - the characteristics of the residents (the target customers)
   - the number of similar stores in the area (the competition)
   - the type of neighborhood
   - the conditions of the area, street, and surrounding buildings
   - the accessibility of the location
   - the past history of the storefront
   - the size of the building, costs, rental agreement, restrictions, etc.

   Any five of these possible answers are acceptable.

7. c

8. $36,000

9. a

10. c

11. d

12. Responses could include:

- keeping track of the merchandise and supplies that go in and out of the store;
- helping you plan for future orders;
- giving you an idea of the dollar value of your inventory;
- helping you identify the best merchandise to increase sales volume; and
- helping you watch for theft.

13. d

14. a

15. Responses may include:

- a listing and/or ad in the Yellow Pages
- classified ads in local newspapers and shopping guides
- direct mailings
- promotional events and good-will activities (good public relations)
- local radio and TV advertising

16. a

17. Responses may include:

- number of items sold
- types of items sold
- cash value of sale
- sales tax
- whether the sale was a cash or credit sale
- the name and address of the customer (to be used in developing a mailing list)

18. a

19. a. $45,000

b. $\frac{45,000}{250,000} = 18\%$

c. $\frac{105,000}{250,000} = 42\%$

20. Responses may include:

- increase the volume of sales
- reduce expenses
- raise prices
- spend more money on advertising
- increase your own responsibilities or the responsibilities of existing employees (to avoid hiring more)
- spend less on supplies and inventory (i.e., find suppliers who will give better prices)

21. Responses may include:

- change the store's image--and related inventory
- identify a different target audience
- expand your store's services
- locate in a different site

SUGGESTED READINGS

Holt, N., Shuchat, J., & Regal, M. L. Small business management and ownership. Belmont, MA: CRC Education and Human Development, Inc., 1979.

Jeanneau, J. A. Small business management: Instructor's manual (4 vols.). Prince Albert, Saskatchewan: Department of Manpower & Immigration, Training Research and Development Station, 1973.

National Business Education Association. Business ownership curriculum project for the prevocational and exploratory level (grades 7-9): Final report. Reston, VA: Author, 1974.

Nelson, R. E., Leach, J. A., & Scanlan, T. J. Owning and operating a small business: Strategies for teaching small business ownership and management. Urbana, IL: University of Illinois, Department of Vocational/Technical Education, Division of Business Education, 1976.

Rowe, K. L., & Hutt, R. W. Preparing for entrepreneurship. Tempe, AZ: Arizona State University, College of Business Administration, 1979.

GOALS AND OBJECTIVES

Goal 1: To help you plan your specialty food store.

Objective 1: Describe the products, customers, and competition of a specialty food store.

Objective 2: List five helpful personal qualities of a specialty food store owner.

Objective 3: List three ways to help your business compete successfully.

Objective 4: List the legal requirements for opening and running a specialty food store.

Goal 2: To help you choose the right location for your business.

Objective 1: List two things to think about in deciding where to locate your business.

Objective 2: Pick the best location for a specialty food store.

Goal 3: To help you plan how to get money to start your specialty food store.

Objective 1: Write a description and business plan for your store.

Objective 2: Fill out a form showing how much money you need to borrow to start this business.

Goal 4: To help you select and manage the people with whom you work.

Objective 1: Given the general requirements of a specialty food store, decide how to divide work among the employees.

Objective 2: Describe the basic principles of successful sales techniques.

Objective 3: Select from a list of job applicants the best person for your specialty food store.

Goal 5: To help you plan your inventory and develop an inventory control system for your specialty food store.

Objective 1: Select the best supplier for your specialty food store.

Objective 2: Describe the basic steps in establishing an inventory control system.

Goal 6: To help you decide how to set prices for your merchandise and products.

Objective 1: List three things to consider in setting your prices.

Objective 2: Define stock turnover and describe how it affects prices.

Goal 7: To help you learn ways to sell your merchandise and advertise your specialty food store.

Objective 1: Pick one way to advertise your specialty food store.

Objective 2: Design a printed ad for your specialty food store.

Goal 8: To help you learn how to keep financial records for your specialty food store.

Objective 1: Fill out a sales receipt for a customer.

Objective 2: Fill out a daily cash sheet that shows money coming in and going out of the store.

Goal 9: To help you learn how to stay successful.

Objective 1: Given information about a store's income and expenses, complete a profit/loss statement.

Objective 2: Given a decline in profits, state one way to increase profits.

Objective 3: Given a specific problem of low sales, suggest a way to change your business to increase sales.

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